

Message Text

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42

ACTION EA-14

INFO OCT-01 AF-10 EUR-25 NEA-10 ISO-00 OMB-01 DRC-01

CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10

PA-04 RSC-01 PRS-01 SPC-03 SS-20 USIA-15 ACDA-19

IO-14 SCEM-02 EB-11 SCI-06 INT-08 COME-00 TRSE-00

NIC-01 /200 W

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R 290805Z NOV 73

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 8838

INFO AMEMBASSY ALGIERS

AMEMBASSY BONN

AMEMBASSY CAIRO

AMEMBASSY LONDON

AMEMBASSY JIDDA

AMEMBASSY MOSCOW

AMEMBASSY PARIS

USLO PEKING

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

C O N F I D E N T I A L HONG KONG 11937

SUMMARY. PEKING INITIALLY GREETED THE ARAB USE OF OIL AS A WEAPON AS A POSITIVE STEP DEMONSTRATING ARAB UNITY AND DETERMINATION AGAINST THE SUPERPOWERS. AS THE STRATEGIC IMPLICATIONS OF THE OIL CRISIS HAVE BECOME MORE APPARENT, HOWEVER, CHINESE ENTHUSIASM APPEARS TO BE WANING. END SUMMARY.

1. PEKING'S FIRST COMPREHENSIVE REPORT ON THE ARAB USE OF OIL AS A WEAPON (NCNA NOVEMBER 15) PRAISED IT AS A RESOLUTE UNITED ACTION WHICH HIT AT ISRAEL AND THE SUPERPOWERS. UNITY, OF COURSE, HAD BEEN THE CHIEF PRC PRESCRIPTION FOR THE ARAB SIDE IN THE MIDDLE EAST STRUGGLE). NCNA CROWED THAT THE OIL EMBARGO HAD DEALT A HEAVY BLOW TO THE UNITED STATES, AND IT NOTED THAT WESTERN
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EUROPE AND JAAN HAD BEEN INDUCED TO TAKE AN INDEPENDENT STANCE TOWARD ISRAEL. IT SUGGESTED THAT THE ARAB ACTION MIGHT SERVE

AS A MODEL FOR OTHER THIRD WORLD COUNTRIES IN SEEKING TO ACHIEVE THEIR AIMS.

2. AS THE OIL CRISIS HAS CONTINUED TO GROW, HOWEVER, THE CHINESE HAVE MOVED AWAY FROM THEIR STRONG ENDORSEMENT OF THE ARAB OIL WAR. NCNA HAS CONTINUED TO CARRY NUMEROUS DETAILED REPORTS ON ITS ECONOMIC EFFECTS IN THE UNITED STATES, JAPAN AND WESTERN EUROPE AND THE EMERGENCY MEASURES TAKEN TO DEAL WITH THEM. THE RECENT ARTICLES, HOWEVER, HAVE GENERALLY BEEN STRAIGHT FORWARD WITHOUT PRAISING OR CONDEMNING THE ARAB POLICY. ONE ITEM ON JAPAN APPEARED TO PLACE RESPONSIBILITY FOR THE SHORTAGE ON THE INTERNATIONAL OIL COMPANIES RATHER THAN THE ARAB GOVERNMENTS. PEKING'S SECOND THOUGHTS ON THE ISSUE WERE SUGGESTED BY A NOVEMBER 26 NCNA REPORT ON THE OPENING SPEECHES TO THE ARAB SUMMIT CONFERENCE IN ALGIERS WHICH QUOTED ALGERIAN PRESIDENT BOUMENDIENNE AND ARAB LEAGUE SECRETARY GENERAL RIAD AT SOME LENGTH WITHOUT MENTIONING THEIR PRAISE OF THE "OIL WEAPON" AND ITS EFFECTS ON THE WEST.

3. PEKING MAY WELL HAVE DECIDED THAT STRATEGIC IMPLICATIONS OF THE OIL SHORTAGE ARE ON BALANCE DISADVANTAGEOUS. FOR ONE THING, THE OIL WEAPON IS OBVIOUSLY DIRECTED AGAINST THE WRONG SUPERPOWER AND ITS ALLIES. NCNA (NOVEMBER 25) NOTED APPROVINGLY THE GROWING EFFORT OF WESTERN EUROPE TO STRENGTHEN ITS UNITY IN THE FACE OF ITS APPARENT EXCLUSION FROM A MIDDLE EAST SETTLEMENT, BUT AT THE SAME TIME IT EMPHASIZED THAT THE WESTERN EUROPEAN COUNTRIES NEED TO WORK CLOSELY WITH THE UNITED STATES ON DEFENSE MATTERS. IT ALSO ARGUED THAT THE SOVIET UNION HOPES

TO GAIN CONTROL OF THE MIDDLE EASTERN OIL IN ORDER TO USE IT TO GAIN A STRANGLE HOLD ON WESTERN EUROPE A MOVE WHICH NECESSITATES EUROPEAN AND NATO VIGILANCE.

4. THE OIL CRISIS' EFFECT ON JAPAN MAY ALSO BE WORRISOME FOR THE CHINESE. THEY MIGHT FEAR THAT THE JAPANESE WILL NOW WANT TO MOVE AHEAD ON SIBERIAN OIL DEVELOPMENT, A PROJECT THE CHINESE WOULD PREFER TO REMAIN STALLED. THE PRC MIGHT EVEN BE CONCERNED WITH THE ADDITIONAL STRAINS PLACED ON THE JAPANESE-AMERICAN ALLIANCE BY THE CRISIS AND POSSIBLY WITH THE AVAILABILITY OF CERTAIN GOODS WHICH IT WANTS TO BUY FROM JAPAN.

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5. THESE FACTORS TOGETHER WITH THE HIGHER VALUE OF CRUDE OIL TODAY MAY FURTHER STIMULATE CHINA'S INTEREST IN INCREASING ITS OWN PRODUCTION FOR EXPORT. ALTHOUGH IT CAN PROBABLY NOT SIGNIFICANTLY HELP JAPAN IN THE SHORT TERM, CHINA HAS ALREADY PROVIDED A LIMITED AMOUNT OF OIL PRODUCTS TO HONG KONG ON AN EMERGENCY BASIS AND IS REPORTEDLY PLANNING SIMILAR ASSISTANCE TO THE PHILIPPINES AND THAILAND.

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